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SPEECH

OF THE

HON. R. HARCOURT,

TREASURER OF THE PROVINCE OF ONTARIO,

DELIVERED ON THE NINETEENTH DAY OF FEBRUARY,

1896,

IN THE LEGISLATIVE ASSEMBLY OF THE PROVINCE OF
ONTARIO, ON MOVING THE HOUSE INTO
COMMITTEE OF SUPPLY,

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FINANCIAL STATEMENT
OF
HON. R. HARCOURT.

LEGISLATIVE ASSEMBLY,

TORONTO, 19th February, 1896.

MR. SPEAKER,—Honourable members will not be surprised when I say at the very commencement of my address concerning the finances of the Province in general, with special regard to our present position, and to the operations of the year just closed, that I do not expect for a moment to be able to present to the House anything either new or of unusual interest.

Honourable members are so familiar with every detail of all our financial questions, so full and complete is the published information placed in their hands from year to year ; so ample are the facilities which each Session affords for detailed criticism, investigation and enquiry, that it becomes proportionately difficult to impart to the subject, important though it be, either novelty or interest. I do hope, Sir, however once more to be well able to satisfy the House completely, and the Province at large as well, that our financial condition now, as always heretofore, is exceptionally sound and satisfactory, and that while our affairs have been uninterruptedly administered with what I may well call courageous economy, we have, at the same time, in no sense disregarded those reasonable well-founded claims for increased expenditures or for new expenditures which our growing needs from time to time demand.

It would be an easy task for me, Sir, to show that in this regard this Province stands conspicuous and alone ; that it is admitted on all sides by men holding high place and position in both political parties in the sister provinces, and elsewhere, that the Province of Ontario has long and continuously enjoyed to the fullest extent the many and inestimable benefits which result from careful, prudent and successful financial administration.

I well know that we are agreed in the House concerning the leading principles which have always guided this Government in its expenditures of public money.

For example, we all unite in vigorously deprecating the disposition, wherever it exists, to vote the public money for this or that object indiscriminately regardless of the public needs, and without any reference at all to the circumstances of the ratepayers from whose pockets it must ultimately come.

It has been well and tersely said that public expenditure is after all only private expenditure under another name ; that the State has no funds except what it takes from the purses of its citizens, and therefore that it behooves us always to act with the caution proper to those who know that they are being liberal with other people's money. And we are also agreed that the truest economy is consistent at all times with fullest justice ; that it has happened, and that it may happen that cases will arise under which the State, in the long run, will save more than it spends, and likewise that it may be the fact that unless expenditure—and it may be large expenditure—is incurred, some important public right will be infringed.

And we are further agreed, I venture to say, that it is a very fortunate thing for us in this Province that we have resolutely and systematically indulged the habit of paying our way as we go ; of resolutely suppressing all votes of money which are not clearly and unmistakeably in the public interest, and in this way of preserving carefully the equilibrium between revenue and expenditures.

Our persistent adherence at all times to these first principles of sound finance, our determination, fortified as we have been by our knowledge that in so doing we have always had the approval of the

House and the fullest sanction of the country, to resolutely refuse to depart on any consideration from this clear course of safety, have enabled us year by year to present to the people a satisfactory balance sheet.

The opposite policy, the policy of the spendthrift, of drawing huge cheques on the future, heedless of the serious burthen they impose, of piling up a great load of debt for posterity to pay, accompanied by large present annual interest charges, in themselves a burden, of wasting the resources of the country and impairing its credit, and all this without any adequate compensating advantages, or indeed any advantages other than mere transitory party gain or the enrichment of a favored few, has wherever tried, and apt illustrations of such a policy are, I regret to say, near at hand, invariably proved harmful and disastrous.

What I have to say, Sir, this afternoon, and I hope to be very brief, concerning the financial operations of this Province of the year 1895, will amply and in every regard support and verify these preliminary observations.

LAST YEAR'S RECEIPTS.

I will, first of all, Sir, make some reference to the receipts of 1895.

RECEIPTS, 1895.

SUBSIDY	\$1,116,872 80	
SPECIFIC GRANT	80,000 00	
		\$1,196,872 80
INTEREST ON CAPITAL HELD, AND DEBTS DUE BY THE		
DOMINION TO ONTARIO	262,274 82	
INTEREST ON INVESTMENTS	41,184 74	
		303,459 56
CROWN LANDS DEPARTMENT:—		
Crown Lands	43,583 91	
Railway Lands	718 42	
Clergy Lands	6,259 60	
Common School Lands	13,942 51	
Grammar School Lands	1,512 43	
Rent <i>re</i> Lands	26,106 12	
Woods and Forests	853,179 86	
Fishing Licenses	365 00	
Cullers' Fees	240 00	
Casual Fees	442 42	
Refunds	1,596 80	
		947,947 07

ALGOMA TAXES	2,183 34
LAW STAMPS.....	74,701 00
LICENSES	272,809 12
EDUCATION DEPARTMENT	52,271 63
PUBLIC INSTITUTIONS REVENUE :	
Toronto Lunatic Asylum.....	38,639 71
Mimico "	1,422 89
London "	10,870 69
Hamilton "	11,667 54
Kingston "	6,574 35
Brockville "	1,147 98
Orillia "	3,439 14
Reformatory for Females.....	3,166 93
" Boys	585 00
Deaf and Dumb Institute	125 00
Central Prison Industries	26,395 21
	<hr/>
	104,034 44
CASUAL REVENUE :—	
Provincial Secretary's Department.....	14,213 72
Provincial Registrar's Branch.....	113 25
Registrar-General's Branch.....	148 00
Fines, etc.....	4,098 89
Division Court Fees.....	5,678 63
Insurance Companies' Fees—Ontario Act and 1892 Act.....	15,988 01
Surrogate Courts' Surplus Fees	1,972 56
Public Officers' Surplus Fees (57 Vict., cap. 9) ..	4,999 66
Offices of Local Masters.....	1,940 35
Shooting and Fishing Licenses (Fishing Licenses, additional \$365.00. See Crown Lands De- partment).....	1,506 25
Official Gazette	12,961 88
Private Bills.....	7,481 65
Statutes	886 73
Ground Rent	2,000 00
Sale of B. N. A. Acts	164 75
Incidentals	30 37
Dundas and Waterloo Road Debentures.....	1,801 00
Insurance Companies' Assessments <i>re</i> Expendi- ture for Insurance Branch.....	2,999 99
Removal of Patients to Asylums.....	5,813 31
	<hr/>
	84,799 00
Succession Duties.....	298,824 99
MERCER REFORMATORY—CAPITAL ACCOUNT. Refund <i>re</i> Expendi- ture	65 25
DRAINAGE WORKS ASSESSMENTS	7,349 41
	<hr/>
	\$3,345,317 61

DRAINAGE DEBENTURES	40,389.99
" " TILE	8,435 00
BREWERS' LICENSES (R. S. O., cap. 194, sec. 51).....	19,537 50
SALE OF ANNUITIES	171,520 00
	<hr/>
	<u>\$3,585,300 10</u>

We received from Crown lands last year \$947,947. Our estimate was \$825,000. We received therefore nearly \$123,000 more than we expected. And yet it is the first year in nine years in which this receipt has been less than a million of dollars. From 1883 to 1886 inclusive it was less than a million, but from 1886 until last year it has quite exceeded a million. The condition of the lumber trade of course largely accounts for the fluctuations in these receipts. We had a sale of limits in October, 1892, and hon. gentlemen well remember how unprecedentedly successful it was, and during that year and the following year we received by way of bonus very large sums. We received as bonus in 1892, \$1,317,798; in 1893, \$986,372; in 1894, \$69,415, and in 1895, \$76,579.

The timber dues alone for the same years have brought us in 1892 \$797,680; in 1893, \$707,746; in 1894, \$844,216, and in 1895, \$715,106.

The receipts by way of ground rents have been, as we would expect, steady, and have increased somewhat year by year. We received in this way in 1892, \$59,112; in 1893, \$62,886; in 1894, \$66,865, and in 1895, \$61,493.

During this same period mining leases have given us by way of rent considerable sums.

Our interest receipt is, it will be seen, less than that of some former years. The interest receipt from the Dominion on account of the capital sum it holds in trust for us is less than that of last year by the sum of \$47,746. In other words, we did not receive last July the half-yearly payment of interest hitherto regularly received on some of the funds the Dominion holds in trust for us. This amount is withheld for the time being only, pending the settlement of the arbitration which is now proceeding.

I will take occasion later on at some length to refer to this arbitration, to the subject matter of it as well as to the results thus far ascertained.

The interest receipt from our own investments, from deposits in banks and from drainage debentures is also less than that of last year. We had smaller average balances in the banks, and we obtained a lower rate of interest than we did in 1894. Our schedule of receipts, viewed generally, shows here and there considerable change during the last few years. It discloses in some of its main features both flexibility and variableness.

THE SUCCESSION DUTIES.

For example, we received in 1891, only four years ago, not a dollar from succession duties. Last year we received the large sum of \$298,825. Our first receipt from that source was in 1892. Thus far under this head our receipts have been as follows:—In 1892, \$758; in 1893, \$45,507; in 1894, \$150,754, and in 1895, \$298,825. Our estimate for 1895 was \$175,000. Altogether we have, up to the close of last year, received in this way the considerable sum of \$503,319, all of which, I remind the House, we have of course applied, in accordance with the provisions of the statute which creates these duties, towards the maintenance of our hospitals and asylums. This handsome receipt amply proves how useful and fruitful our legislation has been.

Next to our Crown Lands receipt, and leaving out of consideration our annual fixed subsidy given us under the B. N. A. Act, succession duties constitute in 1895 our most important and valuable source of revenue. And what is better, Sir, it will continue hereafter, beyond any doubt, to grow in volume and importance. I cannot, however, expect, I must frankly say, that 1896 will yield as large a return as 1895, and this because we received in 1895 \$134,693 from one estate, the estate of the late Allan Gilmour, of Ottawa. More than two-fifths of our total receipts for the year thus accrued from one very large estate. We may not, of course, receive so large a sum from any one estate for several years to come.

In passing I wish to say that to this large estate there were no direct heirs, no wife or child entitled. Indeed there were no indirect heirs even, no blood relations of any degree, the largest beneficiary, I may well say sole beneficiary, being a complete stranger in blood to the deceased. Would any one in this House, or out of it, for a moment think of even questioning the fairness or the wisdom of our legislation when applied to this, the most important case which has arisen under it?

And further, as an illustration of the fact that this kind of revenue is easy of collection and of administration, I may add that in the case of this, our largest estate since the Act came into force, we agreed on the valuations, determined the interests of the different parties and adjusted the amount due the Province with but little difficulty and trifling expense, and were in actual receipt of the duties within five months of the date of the death of the deceased. The fact, then, that this will in a few years, if not immediately, prove to be our most important source of revenue—the Dominion subsidy and Crown Lands revenue, of course, excepted—warrants me in adding somewhat to what I have already said on previous occasions concerning it. I do not mean, of course, by way of justifying it, since we have long since passed that stage. It needs neither apology nor defence. On all sides it is at once admitted that no means of raising revenue more fair, desirable or justifiable has ever been devised.

This means of raising revenue long ante-dates all modern political economy. In addition to its many other virtues it has that of antiquity on its side.

It has been thoroughly tested in several countries of Europe, it is each year growing in popularity, it essentially embodies true democratic principles. England, France, Switzerland, Holland, Belgium and even Italy, Prussia and Russia have long availed themselves of it.

On this continent the States of Pennsylvania, New York, Maine, Massachusetts, Connecticut, New Jersey, Delaware, Ohio, California, West Virginia and Tennessee, enjoy considerable receipts from it.

It is at the same time, all admit, capable of abuse, and in this respect it does not vary from any other mode of raising revenue. Under certain conditions it might even become the thin end of the socialistic wedge, harmful and dangerous.

In France, for example, as much as fifteen per cent. or twenty per cent. even is taken from the value of a single succession and there is no deduction even for debts, but in this and other respects France is a conspicuous exception to the almost universal rule. Different schools of economists at variance as to many questions of taxation, revenue and finance, fully agree as to the wisdom and fairness of this legislation. For example Prof. Ely, of Wisconsin University, a well known writer and admittedly high authority in such matters, warmly approves of it. Andrew Carnegie, the equally well known capitalist and millionaire, goes to extremes in supporting it. He vigorously meets the arguments of those who object to inheritance taxes because they constitute a tax upon capital. Not long ago in a lecture delivered in New York City, speaking on this very point he used these words:—"Every dollar of taxes required might be obtained in this manner (viz., by inheritance taxes) without interfering in the least with the forces which tend to the development of the country through the production of wealth." And many years ago John Stuart Mill not only advocated progressive inheritance taxes, but contended also even that there should be a limit to the amount which anyone should be allowed to take either by inheritance or bequest.

It is well argued, we should bear in mind, that we should regard succession duties not as a tax on property, but as a condition of inheritance, a regulation of inheritance, a regulation of bequest.

For many reasons this legislation is popular, it well accords with unquestionably sound theory, since under it those pay, and those pay most, who are most able to pay.

No means of obtaining revenue can be less oppressive. In what other way would payments be made more willingly? Succession duties take nothing from the heir which they have actually enjoyed, they deprive them rather of something which they never had. And

further, in the case of distant relatives it is not a very easy matter to give a perfectly satisfactory reason for the existence of intestate inheritance. When property is acquired accidentally and perhaps unexpectedly, the heir is more able to pay, and does pay with but little reluctance.

Moreover, it is difficult to evade payment, and it leaves but little opportunity for fraud. We readily see how important this is when we notice to what extent income taxes, for example, are evaded.

For instance, the one per cent. tax on direct inheritance in New York, which applies only to personal property, realized \$700,000 from the Jay Gould estate. His personal property in his lifetime had only been assessed for \$500,000 for property tax purposes, but after his death it was valued at 140 times that amount.

Pennsylvania has had an inheritance law for seventy years. During the fiscal year ending November 30th, 1895, its receipts from this source were \$1,117,974.

New York State received in this way, during its fiscal year ending September 30th, 1895, \$2,126,894.

Massachusetts received from collateral legacies and successions in 1894 \$239,368, and in 1895, \$399,292.

New Jersey, which occupies a unique position among the States of the Union, in that it has no tax for State purposes and is practically out of debt, received through succession taxes \$204,695 in 1894, and \$121,339 in 1895. This fortunate little State derives nearly all revenue from taxes on railroads and other corporations.

The sister Province of Quebec received as succession duties :—

\$40,313 for year ending June, 1893, \$149,283 for year ending June, 1894. and \$162,535 for year ending June, 1895.

The exempt estates range from \$250 in Maryland to \$10,000 in Massachusetts and Ohio, Tennessee being the only estate which allows no such exemption.

In New York inheritance taxes amount to twenty and one-half per cent. of all the State taxes, and contribute nine per cent. of its total State expenditures.

In Pennsylvania they amount to more than twelve per cent. of all the State taxes, and six and one-half per cent. of all the State expenditures.

Well-known writers, who have given special attention to this question, confidently assert that the experience of New York State makes it plain that inheritance taxes and corporation taxes together could in the majority of the States of the Union be fairly made to pay all the State expenses.

ANALYSIS OF THE DUTIES.

I know that hon. gentlemen will be interested in an analysis of our succession duties receipts of last year. This analysis will fully bear out my statement that our Act is a very moderate one; that it is chiefly characterized by generous exemptions, and that in its working it is fully consistent with that soundest of economic principles, "ability to pay." Upon analyzing the returns made by the Clerks of our Surrogate Courts I find that 3,145 wills were proved and 1,519 letters of administration were issued during 1895. Our Courts in this way adjudicated upon 4,664 estates. The number the previous year was 4,815, and 4,574 the year before.

Out of these 4,664 estates reported in 1895 only 87 were dutiable under our Act. The number which escaped duty was 4,577, the number which paid duty 87.

Only one estate out of every 53 came within the provisions of our Act. In no less than twenty of our counties in 1895 not a single estate came within its provisions. Of these 87 estates which paid duty twenty-two were reported as from the county of York, eight from the county of Wentworth, six from Brant, six from Oxford, five from Middlesex and five from Northumberland. Taking the Province altogether, I find that in more than one-half of the counties last year there were no estates liable to succession duties. A few counties contributed nearly all of the revenue. In these counties, of course, there are large centres of population. This fact, let me again observe, proves that our Act contains large and generous exemptions. We received from Carleton county last year \$162,778,

or more than 54 per cent. of our total receipt; from Oxford county \$42,679, or more than 14 per cent. of our total receipt; from the county of York \$35,984, or more than 12 per cent. of the gross receipt. From these three counties alone we received more than 80 per cent. of all our succession duties during 1895.

We apply, as the statute provides, the revenue from succession duties toward the maintenance of hospitals and asylums. Of last year's revenue \$190,221 sufficed to meet our grants for the year to hospitals and charities. The balance, viz., \$108,604, assisted in defraying our large asylum expenditures.

LICENSE RECEIPTS.

It will be noticed that we received from liquor licenses \$272,883. The previous year we received \$277,330, while in 1893 we received \$294,516. The municipalities received from liquor licenses during the same three years respectively, viz., 1893, 1894 and 1895, \$289,976, \$282,473 and \$272,101. We are issuing year by year fewer licenses, and, therefore, we have a falling revenue. We granted last year liquor licenses, all told, in ninety-five districts. In twenty-seven of these districts there was a slight increase in the number of licenses granted as compared with 1894; in forty-three districts there was a decrease, while in the remaining twenty-five the number remained stationary.

We granted 3,151 licenses in 1894, as against 3,276 in 1893, a decrease of 125 licenses in a single year. The following table will show at a glance the steady and considerable reduction in the number granted during each of the last five years:

	Tavern.	Shop.	Wholesale.	Total.
1890.....	3,073	428	24	3,523
1891.....	2,990	403	21	3,414
1892.....	2,966	378	25	3,369
1893.....	2,888	357	31	3,276
1894.....	2,785	337	29	3,151

We issued 372 licenses last year less than we did five years ago, a decrease of more than ten per cent. If this falling off continues, and all indications lead me to think that it will, the many and serious

difficulties connected with the liquor traffic, will in a few years, to a great extent, solve themselves. We issued last year one license for each group of 670 of our population. In the Province of Quebec there was issued a license for each group of 548 of its population. We have in this Province, all told, 810 municipalities, and in 190 of them no license of any kind was issued. One-fourth of the Province, therefore, last year was not under license.

The Statistical Year Book of Canada for 1894, only recently issued, gives a schedule of convictions for drunkenness in the several Provinces.

On page 1022 of this volume having regard to this schedule of convictions the following statement is made :—

“ It appears from this table that in 1894 out of every group of 667 of the inhabitants of Ontario one had been convicted of drunkenness, out of every group of 359 of the people of Quebec one had been convicted of drunkenness, while in the Province of Nova Scotia one out of every group of 361 had been so convicted. Ranged according to position with respect to sobriety, as tested by convictions, the Provinces stand thus : Ontario, Prince Edward Island, the Territories, Nova Scotia, Quebec, Manitoba, New Brunswick and British Columbia.”

BREWERS' LICENSES.

Apart from the year's license receipt, to which I have just referred, we received \$19,637 from licenses taken out by brewers' agents. In referring to this subject a year ago I stated that the constitutional question which it involves was then in the form of a special case before our courts.

The constitutional question arose as follows : In the year 1878, in the case of *Severn vs. The Queen*, the Supreme Court held that the Province had no right to require brewers, distillers, and dealers in liquor holding licenses from the Dominion Government, to take out Provincial licenses. Subsequent decisions of our courts, notably those in the cases of *Hodge vs. The Queen*, *Molson vs. Lambe*, and

Regina vs. Halliday, threw doubts on this decision of our Supreme Court. To settle the important question of jurisdiction, therefore, the three following questions were, at the instance of the brewers, submitted as a test case to the Court of Appeal:

(1) "Is sub-section 2 of section 51 of the Liquor License Act, Revised Statutes of Ontario, chapter 194, requiring every brewer, distiller, or other person duly licensed by the Government of Canada, as mentioned in sub-section 1, to first obtain a license under the Act to sell by wholesale the liquor manufactured by him when sold for consumption within the Province, a valid enactment?"

(2) "Has the Legislature of Ontario the power, either in order to raise a revenue for provincial purposes or for any other object within provincial jurisdiction, to require brewers, distillers and any other persons duly licensed by the Government of Canada for the manufacture and sale of fermented, spirituous or other liquors, to take out licenses to sell the liquors manufactured by them, and pay a license fee therefor?"

(3) "If so, must one and the same fee be exacted from all such brewers, distillers and persons?"

Judgment was given on the 14th of January last. The first two questions were answered in the affirmative, and the third in the negative, so that the contention of the Province in this regard has thus far been sustained in all points. The brewers have appealed, as it was expected they would, to the Privy Council.

SALE OF ANNUITIES.

It will be noticed that we once more sold annuities during 1895, and thus realized \$171,520. It will be remembered that we are empowered, under the Act of 1884, to defer payment of our accruing railway liabilities in any one year by the issue of new forty-year certificates to take the place of the old certificates maturing during the year in question. We have, I need scarcely say, very extensively aided railways in this Province, our payments in aid up to the present date exceeding \$6,266,000. The Sandfield Macdonald

Government, while it set apart a railway fund, did not pay out a single dollar in aid of railways. The matter of payment was one of the legacies he bequeathed to his successors.

These railways have been a great factor in opening up our country, in extending our trade and commerce, and in developing our resources generally.

This class of expenditure will especially benefit those who come after us, and it was therefore deemed reasonable and prudent that provision should be made for deferring these railway liabilities in order to be able more easily to meet the pressing and increasing needs of a growing and prosperous Province.

No new liability, we must remember, was created or sought to be created by this Act of 1884. No new liability, not even to the extent of a single dollar, has been in fact created by the Act authorizing the sale of these annuities, and nearly eleven years have gone by since the Act was passed. It merely authorized, I repeat, the deferring or postponement of each year's railway obligations. We have, in fact, only availed ourselves of its provisions in seven out of the twelve intervening years. We were fortunately able in 1888, 1889, 1890, 1893 and 1894 to meet the maturing railway certificates out of funds in hand, and without resorting to this Act which allows us to defer payment.

And during these same twelve years, be it remembered, we have erected these Parliament Buildings, as well as the large, new, comfortable, substantial and imposing Asylums for the Insane at Orillia, Mimico and Brockville, not to speak of considerable other permanent public works entailing, all told, a capital expenditure of more than \$5,000,000.

We have been thus, year by year, making very important additions to our fixed permanent wealth, and substantially adding to our assets, and all this without increasing our liabilities or appreciably lessening our surplus.

The Honorable E. B. Wood, Treasurer of Mr. Sandfield Macdonald's Government in 1869, and again in 1871, boasted, and of course

I do not use the word offensively, of the large capital expenditures of his Government. In 1869 he stated that they had spent \$486,000 on capital account during the previous two and a half years, and again in 1871 he stated that their expenditures on capital account during three and a half years had footed up to what he calls the very large sum of \$809,866.

Every one knows, Sir, that our capital expenditures have reached much greater proportions, averaging for years together sums two or three times as large as those named by Mr. Wood. I refer to this simply to show that our growing needs, our doubled territory, our increased population, and our progressive legislation have from time to time inexorably demanded larger and still larger expenditures.

A SUCCESSFUL SALE.

I will once more invite your attention to our last sale of annuities. The Treasurer in 1884 expressed the opinion that we could issue new certificates on a basis of four and a half per cent. The first sale, that of 1884, was effected exactly on a basis of four and a half per cent., and each succeeding sale, you will be glad to know, on a more favorable basis. In 1892 I succeeded in effecting a sale at less than four per cent., and last year's sale, that of 1895, was on a basis of less than three and a half per cent. We realized at our first sale \$1,848 for every \$100 of annuity, and at our last sale \$2,144 for every \$100 of annuity. The purchaser at our last sale will receive less than three and a half per cent. interest on his investment. I make bold to say, Mr. Speaker, that at no time, on no occasion in our history, has the Dominion, or any one of its Provinces, or any city within its borders, effected so favorable a sale of securities. The purchaser at this, our last sale, is a resident of this Province, and we were, therefore, absolutely at no expense whatever on account of exchange or commission. Brokerage fees, stamp duties and exchange add materially to the rate of interest when a foreign investor is the purchaser. I will give an illustration: the Quebec Government negotiated a loan of \$5,333,976 in Paris in December, 1894. The net proceeds of this loan amounted to

\$4,104,803. Apart from various contingent expenses connected with it, \$53,329 was spent in commissions and advertising. The Paris capitalists realize more than four per cent. on their investment. I take these figures from a recent official return of the Quebec Legislature.

Our railway obligations in years to come will be much less than they have been. For example, the certificates maturing and paid in 1885 amounted to \$250,808; those maturing in 1895 amounted to \$159,403. We paid for railway aid during the last four years \$610,529, while for the period of four years just preceding that time we paid \$996,825.

The near future will witness considerable further reductions.

We will pay for example next year in retiring maturing railway certificates \$20,552 less than we will be required to pay this year.

In 1898 the amount maturing will be lessened by a further reduction of \$28,513. In 1899 the amount will again be diminished to the extent of \$14,432, and the yearly reductions thereafter up to and including 1904, continue to be considerable. The amount we will be called upon to pay this year is \$159,157 and the amount payable in 1904 is \$82,741, a decrease in eight years of \$126,416.

The smaller items of revenue do not call for extended remarks. On other occasions I have given some explanations concerning them. We received nearly \$10,000 less from law stamps than we did last year, and nearly \$5,000 more from the Education Department. Our casual revenue, and we include under that term a dozen or more of minor sources of revenue, exceeded our expectations. It reached a higher mark than it did the previous year. The revenue from our public institutions also exceeded our estimate, the excess being mainly due to the very good results attending last year's operations at the Central Prison.

All told, our receipts for the year were very satisfactory. We estimated that our total receipts would be \$3,149,372. The actual receipts have proved to be \$3,364,955.

We are, therefore, as the result of the year's operations, so far as our receipts are concerned, \$215,583 better off than we expected.

In these receipts I have not included receipts by way of payments to the Province on account of drainage debentures, nor the proceeds of our sale of annuities, since these items were not included in my estimate of the year's receipts.

I now invite the attention of hon. members to last years' expenditures.

EXPENDITURES, 1895.

Civil Government.....	\$ 244,726 47
Legislation	150,058 67
Administration of Justice	453,564 99
Education	693,042 95
Public Institutions Maintenance	799,222 15
Immigration	7,814 86
Agriculture	181,233 11
Hospitals and Charities.....	190,221 08
Repairs and Maintenance.....	76,518 14
Public Buildings.....	265,600 90
Public Works	28,739 70
Colonization Roads.....	116,706 59
Charges Crown Lands	112,423 33
Refunds	18,583 33
Miscellaneous	137,895 22
	<hr/>
	\$ 3,476,351 49
Drainage Debentures.....	24,835 51
“ “ (Tile)	19,800 00
Railway Aid Certificates .	159,408 44
Annuity “	78,200 00
	<hr/>
	\$ 3,758,595 44

Under Civil Government, which, speaking generally, includes *inter alia* all salaries paid to the officials in the various departments of the public service and all departmental expenses, we expended \$2,436 less than the House authorized us to spend. As we undertake additional work and extend existing services, our expenses under this head must certainly increase. In a great and important Province such as this we must advance; we will not be allowed to be content to stand still or mark time. An enlightened public sentiment would sternly rebuke us if we did.

For example, we spent \$7,923 last year in connection with the Bureau of Mines. This Bureau has been in existence for only four

years. We all approve of this expenditure, and agree that it is our plain duty as best we can to foster and aid the development of our mining industries, and thus attempt to bring to light our dormant wealth. We only regret that we seem to be unable to do more in this direction.

The Department of Agriculture furnishes another case in point. In order to increase the efficiency of the Bureau of Industries, which is under the charge of the Minister of Agriculture, it was found necessary, first in January, 1893, and again in January, 1895, to add a clerk to the permanent staff. These appointments, which were absolutely necessary, have added \$1,700 a year to the cost of Civil Government.

Or take another illustration: the office of the Superintendent of Neglected Children entailed an expenditure last year of \$2,521. This office was first created in 1893. We all most heartily approve of the work which is sought to be done by this Department. If we can arrest criminal tendencies in the young and reclaim outcast and neglected children, we are not only doing a good work, but we are doing it in the most economical and thorough way possible. As a well-known writer observes, it pays the State to study crime accurately, to seek for its causes, to ascertain all its concomitant conditions, and in a variety of ways to recognize and classify the criminal. The House well knows that we have been compelled from time to time, urged on by humanitarian promptings, to undertake new services such as the one I am now speaking of, and in this way add to our expenditures.

I allude to this, Sir, simply to show how unfair and misleading it is to make a bald comparison between different periods of time without giving any explanations such as I am now making, and in effect to say, "You spent more this year than you did four or five or ten years ago, and therefore you are extravagant." If our expenditure is necessary, if it is clearly in the public interest, and if we get full value for our money, surely there is an end of the whole matter. It counts for absolutely nothing, it is idle to say that five or ten years ago the estimates were so much, that to-day they are so

much more, and from such a statement to infer extravagance. What are we to do? The public service can be neither stinted nor starved. We must educate our youth, foster agriculture, administer justice, take humane care of our afflicted classes, and develop our rich, new northern country. The Queen's Government must be carried on. Where shall the lopping-off process begin? Shall we reduce our grant for education, or for agriculture, or close the doors of our asylums? Either the Province or the municipalities must maintain these and other services and do so efficiently, decently and creditably. What do our critics suggest? Is part of the burden to be transferred to the municipalities? A single practical suggestion would be worth more than any amount of vague, general, intangible, indefinite, pointless criticism. (Applause.)

The over-expenditure under the head of Legislation occurs mainly in connection with one item, namely, that of stationery, printing and binding. The expenditure in connection with the Legislative Library exceeded the estimate of \$1,006. We spent more than twice as much on the Library last year, as we did five years ago. The apparently large item of expenses under the head of Legislation is accounted for by the fact that part of the stationery supplies used in 1894 were carried over for payment to 1895.

I have in previous years asked the House, and especially the Printing Committee, to diminish, if possible and where possible, the expenditure under the head of Printing and Binding.

The Legislature has, of course, a large measure of control in this matter. If it continues to order the printing of voluminous returns and reports, large additions of them, and a greater number of them year by year, then of course the public accounts must inevitably disclose greatly increased expenditure under this head. I now ask the Printing Committee once more so far as possible consistently with plain public advantage to limit this item of expenditure.

My meaning will be made more clear if I give some illustrations,
For printing and binding we spent as follows :

In 1891.....	\$19,258
In 1892.....	\$27,957
In 1893.....	\$26,449
In 1894.....	\$32,754
In 1895	\$38,706

We have thus more than doubled this expenditure in five years.

The number of reports published for the Legislative Assembly in 1894 was 93,050, while in 1895 it was 116,490, an increase of more than 23,000 volumes in a single year.

It cost \$8,882 more to publish them in 1895 than it did in 1894. We published no fewer than fifty-nine different reports for the Legislative Assembly in 1895.

In 1885 we published for the Legislative Assembly and for the departments 117,580 volumes. In 1895 we published 273,800 volumes, an increase of 56,000 volumes in ten years.

We spent for this purpose \$24,031 in 1885 and \$39,065 in 1895. Thirty-four different reports were published in 1895 which were not published at all in 1885.

For example, we published *inter alia* in 1895 reports of the Bureau of Mines ; of the Game and Fish Commission ; of Fruit Stations ; of Neglected Children ; of the Inspectors of Factories ; of the Farmers' Institutes ; of the Bee-Keepers' Association, and several volumes of the Bureau of Industries.

These represent, for the most part, departments of work which had not been undertaken ten years ago.

All those reports, as well as dozens of others I have not named, contain very valuable information and cannot be too widely circulated. At the same time I submit that it is well worthy of the consideration of the Printing Committee whether or not smaller additions in certain cases would not suffice, and whether some of them could not be condensed without lessening their value.

Our expenditures under the head of Administration of Justice in 1895 were abnormally large, I should say unprecedentedly large. We

never spent as large a sum for this service in any one year in the history of the Province. We expended in this way \$418,476, and this is \$35,000 more than we spent in 1894, \$73,000 more than we spent in 1893, and \$122,000 more than we spent ten years ago. We paid to the counties \$28,085 more than we did in 1894. We paid to the County of York alone \$3,087 more than we did in 1894, and to the City of Toronto \$5,790 more than in 1894. At the same time, Sir, it is only fair to observe that instances have not infrequently occurred in which county treasurers have neglected to send in their accounts and returns promptly, and that in this way the expenditure of a given year is unfairly charged with payments which should have been made the previous year.

Our expenditure last year for Education was the largest we have ever incurred as yet in any one year, and the same remark applies to our expenditure under the head of Agriculture. We have no differences of opinion in this House as to our duty in promoting these very important interests and in providing for them generously and without stint. One-fifth of all our ordinary expenditure of last year was applied for purposes of education. We must expect that fresh demands will be made upon us from year to year in both these directions.

The Minister of Agriculture has been untiring in his endeavor to extend in all directions the usefulness of his department. During last year, for example, with the sanction of this House, he added three new departments to the College at Guelph at an additional expense of \$1,900 a year. I refer to bacteriology, poultry and bee-keeping. Each of these departments we all recognized was essential in any well-equipped school of agriculture. The Dairy School at Kingston, established mainly through our grants, had its first session last year, and its second session is now in progress. A similar school in Strathroy is now holding its first session.

In 1894 for the first time we gave a grant for experimental fruit stations, and this grant was repeated last year. Last year also, for the first time, experiments and teaching in the spraying of fruit trees were carried on under the direction of the Minister. Towards

the close of 1894 a Superintendent of Farmers' Institutes was appointed, and the result is that the number of institutes has been increased, more meetings have been held, more speakers employed and paid by grants from this Legislature. Early last year the West Algoma Pioneer Farm, situated in the Wabigoon district, of which *The Globe* newspaper recently gave an interesting account, was established.

These, Sir, are some of the additional objects to which, with the sanction of this House, legislative aid has recently been granted. I could easily, Sir, instance other new expenditures not only justifiable, but demanded by the spirit of progress which has always actuated this Legislature. Our first expenditure in connection with Algonquin Park, situate in Northern Ontario, was incurred in 1893. Our total expenditures in connection with it up to the end of last year amount to \$11,901. A year later, viz., in 1894, we established Rondeau Park in Western Ontario, and in the last two years its maintenance has cost us \$4,948. A School of Mining and Agriculture, situate at Kingston, in the eastern part of the Province, was first established in 1893, and thus far we have spent towards its maintenance \$22,600. In 1894 and 1895 we spent for mining development, another new item of expenditure, \$9,643. And last year for the first time we had a summer mining school in operation in the northwestern part of the Province at a cost for the year of \$1,329.

These items alone, taken singly, may appear trifling. Taken in the aggregate, they make up a considerable annual charge, viz., about \$50,000, and they illustrate the fact that the various needs of every part of the Province—north, south, east and west—and of whatever kind—agricultural, mining or otherwise—are neither overlooked nor neglected.

PUBLIC INSTITUTIONS.

We spent last year for the maintenance of our public institutions within a trifle of \$800,000, or about \$2,190 per day. Nearly one-fourth of all our expenditures went in this one direction. This is more than \$42,000 in excess of the expenditure of the previous

year. It is \$11,000 in excess of our estimate. We spent about \$10,000 more by way of maintenance at our new Asylum for the Insane at Brockville than we expected. This institution, hon. gentlemen will remember, was opened only in December, 1894. It cost us for maintenance \$8,120 in 1894, and \$47,863 in 1895. It had under treatment last year 208 patients.

The total number of patients is still year by year increasing. In our seven insane asylums we had last year under treatment 5,454 patients, as against 5,021 in 1894. The number in 1893 was 4,893. This large number of patients was last year distributed as follows: Toronto, 869; London, 1,180; Kingston, 724; Hamilton, 1,117; Mimico, 730; Brockville, 208; Orillia, 606.

The new insane asylum at Mimico was opened in 1890, and during the last four years its cost of maintenance has averaged nearly \$72,000 a year. This Legislature has honestly and generously attempted to discharge its full duty toward our afflicted classes. But few countries even attempt to do what we have been constantly doing so successfully in this regard. The State of New York is the only State in the Union which supports the insane exclusively in State institutions, and in which their maintenance is arranged for by a general State tax.

At the first glance the constantly increasing number of patients is calculated to cause a feeling of alarm. A more careful view of the facts however leads us to doubt whether or not the number of our insane is really rapidly increasing.

The Royal Edinburgh Asylum is one of the most important of its kind in the world. Dr. Clouston, its able Medical Superintendent, in his last report (and it is the 82nd annual report of the institution) makes the following statement:—

“It must not be supposed that the increasing number of patients sent to us year by year necessarily prove an increase of mental disease in the community. On the contrary, careful examination into that great question by many competent authorities from different points of view, and my own investigations, seem to me to prove definitely that on this point there is little cause for alarm. All the

facts point to this. that there are now more people sent to hospitals for mental disease than there were formerly, and that when they get there they live longer and are better treated."

May it not be the case, we may hope that it is at any rate, that the opinion he thus expresses is correct when applied to our own Province

Our expenditures for hospitals and charities keep increasing During recent years they have been growing at the rapid rate of about \$10,000 a year. We spent upon them in 1894 \$182,692, and in 1895 \$190,221. Last year's payment was the largest we have yet made. The amounts paid depend upon the earnings during the previous year of the various institutions in accordance with the terms of the statute. Last year's increased payment is due to the fact that five new institutions, two hospitals and three homes, had been added to the list. There was also an increase in the number of patients treated as compared with the previous year.

REDUCTION IN YEARLY EXPENDITURES.

I need not refer at greater length to our expenditures for the year.

Although we have not neglected or stinted in any way the various interests which it is our duty to subserve, it is worthy, I think, of special mention, and I ask hon. members not to overlook the fact, that during the last five years we have year by year been able to reduce our total expenditures. Our total expenditures in 1891 amounted to \$4,158,459; in 1892, \$4,068,257; in 1893, \$3,907,145; in 1894, \$3,842,505; and in 1895, \$3,758,595. Further, let me add that our total expenditures in 1890 amounted to \$3,896,324, so that last year's total expenditures were lower than those of any year since 1889. It does not affect my argument to say that we spent less money in 1895 than formerly for new public buildings; that we have overtaken our needs in that direction, since, in order to be able thus to reduce our expenditures year by year, we must have constantly exercised vigilant control and practised strictest economy.

In discussing increased expenditures I remind hon. members that it would be both interesting and instructive to institute a comparison and to examine with as much detail as anyone would wish into the increased expenditures on similar lines of, for example, the Dominion itself, or of any of the sister provinces. The result of such a comparison would, we all know, be extremely favorable to this Province. A similar comparison between provincial expenditures and the expenditures of our own municipalities, civic or otherwise, would lead to the same result. With every confidence I invite such comparisons.

ARBITRATION PROCEEDINGS.

I will be expected to say something of the arbitration now pending between the Provinces and the Dominion, the actual proceedings of which, under the joint and concurrent legislation of 1891, began in April, 1893.

As long ago as 1879, nearly twenty years ago, the treasurer of this Province in making his financial statement said that he had hoped to have been able to have laid before the House a statement of the final adjustment of the accounts between Ontario and the Dominion and between Ontario and Quebec, and again in 1884, about twelve years ago, his successor said that he hoped at the following session to be able to congratulate the House on the settlement of the disputed accounts.

A dozen years have come and gone, and I am not even now able because of the great volume of business, extending over very varied, novel and difficult subjects, to definitely state a time within which the learned arbitrators will have completed their very arduous and very responsible duties.

I am glad to be able to say however that very satisfactory progress has in fact been made, and that step by step important branches of the case have been concluded, and that, so to speak, at any rate we have reached the beginning of the end, and up to the present time without any reverse.

I will endeavor, Mr. Speaker, to give a very brief summary of the proceedings and results thus far.

The first matter taken up in 1893 concerned the claim of the Provinces relating to the allowance of interest on the accounts generally and the method to be adopted in taking the accounts.

This interest question, as it is called for the sake of brevity, proved to be, as was expected, a large and difficult question.

The argument concerning it commenced at Ottawa, June 13th, 1893. After five days' argument the case was adjourned until the 10th of July, when it was resumed at Quebec. This sitting lasted four days when there was another adjournment until September 14th. The day following the argument was concluded, and the arbitrators published their first award on the 2nd of November, 1893.

By paragraph eight of this award the question "as to whether or not the Dominion shall be allowed simple interest at the rate of five per cent. per annum on any balance that may from time to time be found to exist in its favor in the separate accounts of Ontario and Quebec," was reserved for further argument.

Argument on this reserved question took place at Ottawa on the 11th and 12th of January, 1894, and the decision of the arbitrators thereon constitutes their second award, which bears date August 31, 1894.

The first award, that of November 2, 1893, directs that Ontario and Quebec shall be credited with the subsidy half-yearly in advance, that the deductions for interest on the excess of debt of the Province of Canada over \$62,500,000 as actually ascertained in amount at each period shall be made at the end of each year down to and including January 1, 1873; that the first of such deductions shall be made on the 1st of January, 1868.

(2) That in the Province of Canada account there shall be credited on the 23rd day of May, 1873, the \$10,506,088 remitted by 36 Vict., ch. 30, and that there shall be no deduction from the subsidy thereafter.

(3) That on and from July 1st, 1884, the provinces shall be credited with the additional subsidy granted by 47 Vict., ch. 4.

Under this Act we became entitled to receive interest on a capital of \$2,848,289, and this interest has been regularly paid to us each half-year since.)

(4) That each province shall be credited as of date July 1, 1867, with its share of \$200,000, representing the purchase money of the Ottawa Library and other personal property.

(5) That the trust funds shall be treated as intact and unimpaired, and interest thereon at five per cent. half-yearly carried into the separate accounts of Ontario and Quebec.

(6) That the Province of Canada account shall be made up at simple interest at five per cent. per annum.

(7) That in the separate accounts of Ontario and Quebec the said provinces shall be allowed simple interest on any balance from time to time existing in their favor at five per cent., unless some other rate has been expressly agreed to.

APPEAL BY THE DOMINION.

The Dominion, objecting to certain findings in the first award, that of November 2, 1893, appealed to the Supreme Court for the following reasons:—

(1) The award decides that interest on the excess of debt of the Province of Canada is to be deducted from the half-yearly subsidies only at the end of each half-year, instead of at the times when such half-yearly payments of subsidies are by the British North America Act directed to be credited to the provinces.

(2) To so much of the award as determines that the Dominion is not entitled in its accounts with the Province to make twelve half-yearly deductions of interest on the said excess of debt existing at the time of the union.

(3) To so much of the award as decides that the deduction of interest on the said excess of debt from the half-yearly subsidies is to be based upon such excess of debt over \$62,500,000 as is actually ascertained in amount at each period on deduction, instead of being based on the excess of debt as actually ascertained at the time of the passing of the Act 36 Vict., ch. 30, or as actually existing at the time of the union.

This appeal on the part of the Dominion was argued before the Supreme Court at Ottawa on the 9th, 10th and 12th of November, 1894. Judgment was given on the 6th of May, 1895, dismissing the appeal with costs.

THE SECOND AWARD.

The second award, that of 31st August, 1894, which deals mainly with the reserved question to which I have referred, directs that in certain cases the Dominion shall be allowed five per cent. and in other cases four per cent. simple interest on balances in its favor.

In connection with this interest question alone we have thus had a most exhaustive and able argument, lasting fifteen days, and, consequent upon it, two awards and a judgment of the Supreme Court. In a word, the result is as favorable to Ontario, in fact, as any other form of the stating of the account which had been discussed, and more favorable than any form in which the Dominion was willing to concede the account to be stated or taken.

INDIAN CLAIMS.

The next important matter taken up by the arbitrators was the claim of the Dominion, filed in October, 1893, against the late Province of Canada, and the Province of Ontario as well, on behalf of the Ojibeway Indians for arrears of annuities and increased annuities alleged to be payable under the Lake Superior and Lake Huron treaties, sometimes called the Robinson treaties of 1850. The claim for arrears against the Province of Canada from 1851 to 1866 amounted to \$102,000, and for interest alone to the end of 1892 \$223,000. The claim against Ontario alone for arrears and increased annuities from 1867 to the end of 1892 amounted to \$314,000, and for interest to \$169,000.

These claims were argued in October, 1894, and an award was made on the 14th February, 1895.

The first four clauses of this award declared in effect that if in any year since the treaties in question were entered into (1851) the territory thereby ceded produced an amount which would have enabled the Government, without incurring loss, to pay the increased annuities to the Indian tribes mentioned therein, then such tribes were entitled to such increase, not exceeding \$4 for each individual from time to time belonging to the tribes entitled to the benefit of the treaties.

Any liability to pay the increased annuity in any year before the union is declared to be a debt or liability which devolved upon the Dominion under section 111 of the B. N. A. Act, and to be one of the matters to be taken into account in ascertaining the excess of debt for which Ontario and Quebec are conjointly liable to Canada under section 112 of the B. N. A. Act.

In other words, if, on investigation, it is found that the territory ceded produced sufficient before 1867 to have enabled the Government of the old Province of Canada to have paid the increased annuities without incurring loss, the Indians are now entitled to increased annuities as stipulated in the treaties with them, and Ontario and Quebec are ultimately liable therefor.

Paragraph five of this award reads: "That interest is not recoverable upon any arrears of such annuities." The effect of this is to strike out at once as untenable \$273,000 of the claim.

Our counsel contend that during a part of the period for which the claim is made, and speaking without prejudice, reaching probably back to 1872, increased annuities could not have been made without incurring loss.

The arbitrators further held (Chancellor Boyd dissenting) that the Dominion was entitled to interest on each year's payment of increased annuities from the time of each payment thereof when properly made, say, from 1872, on estimate and without prejudice.

ONTARIO'S APPEAL SUSTAINED.

Ontario appealed to the Supreme Court from parts of this award, viz., paragraph six, which fastens the ultimate burden of payment of the increased annuities after the union upon Ontario alone, on the ground that the ceded territory became the property of Ontario under section 109 of the B. N. A. Act, and that it was subject to a trust for the Indians; and also to that part of paragraph nine which says that any payments of increased annuities properly made by the Dominion since the union are to be charged against Ontario as of the dates of payment.

This appeal was argued in May, 1895, and judgment given sustaining the appeal in December, 1895. In his judgment, delivered December 9th, 1895, Chief Justice Strong of the Supreme Court says :—

“This appeal must be allowed, and the award must be varied by substituting for the sixth paragraph thereof the following:—The ceded territory mentioned became the property of Ontario under the 109th section of the British North America Act, 1867, absolutely, and free from any trust, charge or lien in respect of any of the annuities, as well those presently payable as those deferred and agreed to be paid in augmentation of the original annuities, upon the condition in the treaties mentioned. And, further, by striking out the seventh and ninth paragraph of the award:

“The Province of Ontario is entitled to the costs of this appeal, to be paid by the Dominion.”

The judgment of the Supreme Court supports the contention of the Attorney-General, Sir Oliver Mowat, as communicated to Mr. Blake, then Minister of Justice, in 1875, that the claim on the part of the Dominion, if any, is a liability of the late Province of Canada and that Ontario alone is not to bear the ultimate burden of the increased annuities.

The Dominion has taken steps to apply during this month to Her Majesty's Privy Council for leave to appeal against this judgment. The Province of Quebec is applying to be heard before the Privy Council as a party interested.

IMMIGRATION EXPENDITURES.

Three other matters, relatively speaking, of much less importance than the interest question, or the question involved in the Huron and Superior treaties, were next taken up by the arbitrators.

The first of these concerned certain immigration expenditures. The Dominion claimed from Ontario a refund of \$68,635 under an agreement made in January, 1873, for the transport of immigrants from Quebec to points in Ontario during the years 1878-79 and 1880. This case was argued at Quebec on the 12th of February, 1895, and

an award made on the day following disallowing \$55,549 of the claim. When the account is taken it is expected that it will be found that Ontario is entitled to recover a small balance.

The second was a claim preferred by Ontario against the Dominion for an unpaid balance of \$21,444 belonging to the Upper Canada Municipalities Fund, which in 1866-67 and 1868 had been misapplied. The award of February, 1895, on this head allows \$15,732 against the Dominion, and directs that amount to be credited to Ontario as of date, July 1, 1872.

The third of these minor claims was that made by the Dominion against Ontario to recover a balance on some interest coupons paid in London in 1861 by the late Province of Canada and assumed by the Dominion at Confederation. These coupons were collected by Ontario, but the proceeds were not paid over to the Dominion. The award as to this matter is against Ontario, and orders that the Dominion of Canada be credited with \$16,781 as of date, December 31st, 1892.

OTHER CLAIMS.

Two other claims of the Dominion against the late Province of Canada have been argued and decided. The one, a claim for \$21,083, was made on behalf of the Delaware Indians for lands drowned at Dunnville in 1829-33. This case was heard at Quebec last November. The arbitrators disallowed the claim *in toto*. The other was made on behalf of the Mississagua Indians, of the River Credit, for the value of Indian lands sold between 1826 and 1858, it being alleged that the Province of Canada received the proceeds, but did not pay them over to the Indian Department. The amount thus claimed was \$78,774. Ontario not only denied all liability, but also filed a counter-claim against the Dominion on the ground that the Dominion had improperly charged \$5,582 against the Widows' Pension Fund and credited it to these Mississagua Indians. This case was argued last November in Quebec. The arbitrators dismissed the claim of the Dominion, and allowed in part the counter-claim of Ontario.

COMMON SCHOOL FUND.

The questions concerning the Common School Fund furnish the only other important matter which has been presented to the arbitrators up to the present time.

Shortly stated, the origin of the Common School Fund was that in 1841 an Act was passed providing for the establishment of "a permanent fund to consist of such moneys as may accrue from the sale or lease of any lands which, by Legislature or any other competent authority, may hereafter be granted or set apart for the endowment, maintenance and support of Common Schools and of certain other moneys." The division of the fund between Upper and Lower Canada was to be made by the Superintendent of Education. This was amended in 1843 by 7 Vict., chap. 9, which provided that the income from the fund should be apportioned between Upper Canada and Lower Canada according to the census next before taken.

Then comes the Act of 1849, which recites that it is desirable that the annual sum of £100,000 should be raised from public lands of the Province of Canada for the maintenance and support of Common Schools therein, and "that so much of the first moneys to be raised by the sale of such lands as may be sufficient to create a capital which shall produce an annual sum of £100,000, should be set apart for such purpose." The Act provides that all moneys which shall arise from the sale of any public lands of the Province shall be set apart for the purpose of creating a capital sufficient to produce the said £100,000 per annum, and also provides for the investment of the money.

This Act provides that 1,000,000 acres of public lands of Canada should be set apart for the purposes of the Common School Fund. In pursuance of this Act and by an Order-in-Council dated the 5th of November, 1850, 1,000,000 acres of land in the Province of Upper Canada, now Ontario, was set apart to comply with this statute. At the time the provinces were Confederated by the British North America Act of 1867 all lands within the confines of the

old Province of Upper Canada, now Ontario, vested in the Province of Ontario. Sales were made, and at the time of Confederation nearly the whole of the million acres had been sold, but as to a large part the instalments of purchase money had not been paid, and a portion of the lands remained unsold at Confederation.

After Confederation, and owing to defaults by purchasers, some of the sales previously made were cancelled and the lands resold, and a portion of the lands, which at the time of Confederation were unsold were subsequently sold by the Province, and at the present time a few hundred acres remain unsold.

The Province of Ontario, according to the original award of 1870, has never received from the Dominion any of the moneys which came to the hands of the old Province of Canada as a result of sales of these lands prior to Confederation, but the Dominion has held this money as trustee for Ontario and Quebec under the award of 1870, and Ontario has received credit for certain amounts of interest thereon.

The amount required to produce \$400,000 per annum was \$6,666,666, and the total aggregate resulting or to result from the sale of the 1,000,000 acres would not produce this sum.

QUEBEC'S CLAIM DISALLOWED.

Quebec has put forward a claim that the deficiency estimated to amount to \$1,451,741 should be made up.

The question of the liability of Ontario in respect to this claim of Quebec was argued before the arbitrators in July, 1895, and judgment rendered on the 6th of February, 1896, unanimously disallowing Quebec's claim.

Since Confederation Ontario has collected and paid over to the Dominion on account of sales of Common School lands sums aggregating \$936,728, and the arbitrators have found:—“(1) That the sum held by the Government of the Dominion of Canada on the 10th of April, 1893, as part of the principal of Common School funds, amounted to \$2,457,688, made up of \$1,520,959, that at Confedera-

tion came into the hands of the Government of Canada, and the sum of \$936,728 for which the Government of Ontario has accounted to the Government of the Dominion of Canada."

Quebec claimed that this should be increased by the sum of \$124,685.18, which had been deducted from the Common School Fund and credited to the Upper Canada Improvement Fund, contending that the transfer of this sum to the Upper Canada Improvement Fund was contrary to law.

Ontario contended for the validity of the transfer, which was expressly authorized by the award of 1870 made by the arbitrators appointed under section 142 of the British North America Act, against which Quebec had unsuccessfully appealed to the Privy Council. The majority of the present arbitrators decided in favor of Ontario, but from this finding Chief Justice Sir L. N. Casault dissents, being of the opinion "that the sum so held by the Dominion Government as part of the principal of Common School Fund was greater than has been stated by an amount of \$124,685, which sum in the said accounts had been deducted from the said fund and credited to Upper Canada Improvement Fund."

The award of 6th February, 1896, holds that, subject to certain deductions, Ontario is liable to the Common School Fund for the amount received by her since Confederation or to be received from or on account of Common School lands. From this finding as to liabilities, Chancellor Boyd dissents on the ground that there is no liability by Ontario in respect of the Common School Fund or lands. The Arbitrators decided unanimously by the award of February 6th, 1896, that, as provided in the award of 1870, Ontario is entitled to deduct six per cent. for management.

The majority of the Board hold that in respect of moneys arising from sales made between 14th June, 1853, and 6th March, 1861, the Province of Ontario is entitled to deduct and retain twenty-five per cent. of the balances after deducting the six per cent. for sale and management, following the award of 1870 which directed that the said twenty-five per cent. shall be taken and retained by the Province of Ontario for the Upper Canada Improvement Fund. From the finding Chief Justice Casault dissents.

The amount involved in this part of the present award in favor of Ontario is \$217,294, which Ontario has deducted in respect of collections up to 31st December, 1892.

A SATISFACTORY RESULT.

There are other questions involved in this very important matter which were argued in July last, and as to which the arbitrators have not as yet made their award. Since June last accountants appointed by the arbitrators have been examining as to the validity of the sums mentioned in the accounts submitted to the arbitrators. My predecessor, the Hon. A. M. Ross, was appointed accountant for Ontario, Mr. Machin, Assistant Provincial Treasurer of Quebec, for Quebec, and Mr. Dickieson, Chief Accountant of the Finance Department at Ottawa, for the Dominion. On the threshold of the enquiry the representatives of Ontario and Quebec were met with a serious question. The accountant for the Dominion, under the advice of counsel, contended that the Act of 1873 which relieved the Provinces from the excess of debt precluded them from objecting to any of the items composing the \$10,506,088 mentioned therein as the ascertained excess of debt appearing on the books of the Dominion at the time of the passing of the Act, and asserted that the grant of \$10,506,088 was based on that sum being the true excess of debt. This important question, having been thus raised, was argued before the arbitrators at Montreal last September. The arbitrators decided that the items appearing in the Province of Canada account between 1867 and 1878 and as rendered by the Dominion to 31st March, 1892, are subject to examination and verification. The accountants have, as their reports from time to time fully prove, given much thought and attention to their important work. At their last meeting held in Ottawa a few weeks ago they had nearly completed their examination of the accounts.

Speaking for this Province, I am safe in saying that I have good reason to be more than satisfied with the results of their examination.

Will honorable gentlemen now turn for a moment to the schedule of assets in their hands?

ASSETS OF THE PROVINCE.

1. DIRECT INVESTMENTS :—	
Drainage, 5 per cent. debentures invested	
31st December, 1895	\$197,500 49
Tile, 5 per cent. debentures invested	
31st December, 1895	134,165 15
Drainage works—Municipal amounts ..	136,218 25
Other debentures, etc.....	3,000 00
	<hr/> \$470,883 89
2. CAPITAL HELD AND DEBTS DUE BY THE DOMINION TO ONTARIO, BEAR- ING INTEREST :—	
U. C. Grammar School Fund (2 Vict. Cap. 10)	\$312,769 04
U. C. Building Fund (18 Sect., Act 1854) ..	1,472,391 41
Land Improvement Fund (see Award)..	124,685 18
The Capital under Act 1884 (Award '93)	\$2,848,289 52
Less estimated balance due the Dominion	2,000,000 00
	<hr/> 848,289 52
	<hr/> 2,758,135 15
COMMON SCHOOL FUND :—	
Collections by Dominion	1,520,950 24
Collections by Ontario, paid over to the Dominion in 1889 and 1890, after deducting Land Improvement Fund and 6 per cent. for collections.....	936,729 10
	<hr/> \$2,457,679 34
Ontario's share according to population, 1891	1,441,882 90
	<hr/> 4,200,018 05
3. BANK BALANCES :—	
Current Accounts	87,580 89
Special Accounts.....	350,000 00
	<hr/> 437,580 89
	<hr/> <u>\$5,108,482 83</u>

LIABILITIES OF THE PROVINCE AT PRESENT PAYABLE.

1.—BALANCE DUE TO MUNICIPALITIES <i>re</i> SURPLUS DISTRIBUTION		\$1,291 30
2.—LAND IMPROVEMENT FUND:—		
Balance due to Municipalities under 45 Vict. Cap. 3 and 49 Vict. Cap. 6....	\$3,256 57	
Balance due to Municipalities under 54 Vict. Cap. 9	2,771 64	
	<hr/>	6,028 21
3.—QUEBEC'S SHARE OF COLLECTIONS BY ONTARIO ON ACCOUNT OF COMMON SCHOOL LANDS IN 1890-91-92-93- 94-95:—		
Collection on lands sold between the 11th June, 1853, and 6th March, 1861	\$55,356 55	
Less 6 per cent. cost of management....	3,321 39	
	<hr/>	52,035 16
Less one-quarter for Land Improvement Fund	13,008 79	
	<hr/>	\$39,026 37
Collections on lands sold since 6th March, 1861	15,578 17	
Less 6 per cent. cost of management....	934 69	
	<hr/>	14,643 48
	<hr/>	\$53,669 85
Quebec's proportion according to popu- lation, 1891		22,182 56
		<hr/>
Total		\$29,502 07
		<hr/>
Surplus of assets after deducting Liabili- ties presently payable		<u>\$5,078,980 76</u>

We hold drainage and other debentures to the amount of \$470,883. These are for the most part, of course, municipal debentures, and can be readily sold at a premium. I place the item of capital held in trust for us by the Dominion at the same figure as last year, viz., \$2,758,000. I can speak more positively of the item than I could a year ago. The item of \$2,000,000 is, as stated only an estimate

In the light of the arbitration proceedings I can safely say that \$2,000,000 is not an excessive figure. There can be no doubt whatever as to the amount of our interest in the Common School Fund being at least as large as the figure stated. It may be found that I have considerably understated our assets in this schedule. My total, therefore, of \$5,108,482 will not be questioned.

The liabilities, amounting to \$29,502, similar in character to those of other years, need no explanation. After deducting these liabilities we have, therefore, a very substantial and real surplus of \$5,078,980.

Honorable members will be pleased to observe that at the end of the year we had at our credit in the banks a comfortable cash balance of \$437,580.

ESTIMATED EXPENDITURE FOR 1896.

A very brief reference, Sir, to the current year's expenditures will suffice, since more extended reference will be made to them when we reach the Committee stage.

We ask for authority to expend \$3,483,000. Deducting the exceptional item of \$40,000, which the Attorney-General asks for statute consolidation, and this item appears but once in ten years, we have as our estimate for the expenditures of 1896 a sum very little in excess of the estimate of last year. Compared with last year the votes we ask for Legislation and Public Institutions maintenance remain practically the same, while those for Civil Government, Agriculture, Education and Administration of Justice are increased. We invariably keep well within the estimates. For example, we spent in 1893 \$200,041, in 1894 \$159,741 and in 1895 \$22,662 less than was voted.

ESTIMATED RECEIPTS, 1896.

Subsidy	\$1,196,872 80
Interest on Capital held, and Debts due by the Dominion to Ontario.....	\$262,000 00
Interest on Investments	40,000 00
	<hr/>
	302,000 00

CROWN LANDS DEPARTMENT :—

Crown Lands	\$ 55,000 00	
Clergy Lands	5,000 00	
Common School Lands.....	13,000 00	
Grammar School Lands	2,000 00	
Woods and Forests	725,000 00	
		<hr/>
		800,000 00

PUBLIC INSTITUTIONS :—

Toronto Lunatic Asylum.....	\$ 39,000 00	
London "	12,500 00	
Kingston "	6,500 00	
Hamilton "	12,000 00	
Mimico "	2,500 00	
Brockville "	1,200 00	
Orillia "	3,400 00	
Reformatory for Females.....	3,500 00	
" Boys	500 00	
Central Prison	20,000 00	
		<hr/>
		101,100 00
Education Department.....		50,000 00
Casual Revenue		80,000 00
Succession Duties		200,000 00
Tavern Licenses		270,000 00
Brewers' "		20,000 00
Law Stamps.....		80,000 00
Algoma Taxes		3,000 00
Assessments, Drainage Works		10,000 00
" Insurance Companies		3,000 00
" Removal of Patients		6,000 00
		<hr/>
Total		\$3,121,972 80

We estimate our receipts for the current year at \$3,122,000. We place Crown lands at \$800,000, licenses at \$290,000 and succession duties at \$200,000. Our total estimate will, I am sure, prove to be a moderate one, and, as in the past, so in 1896, the actual receipts will be found to exceed the estimate. We commence the year, as I have said, with a cash credit balance in the banks of \$437,580, so that we can safely expect from the receipts of the year to be able to provide efficiently for all our varied needs.

I ask honorable members to discuss our finances with fairness, and in a spirit devoid of partizanship. I am well convinced that honor-

able gentlemen sitting opposite to me, irrespective of party, in their hearts believe, as we do who sit on this side of the House, that the Attorney-General, who leads this House, has always most conscientiously done everything which possibly could be done to secure for this Province economical and efficient administration, and that he is as anxious, and that he has always been as anxious, as they themselves possibly could be to avoid even the appearance of waste or extravagance. His signal and unvaried success for so many years in securing the one and avoiding the other has won for him over and over again the confidence and esteem of our people.

Some one has said that economy in a public sense, at any rate, is a lost art, and there is good reason to fear that there is, generally speaking, much truth in this observation. However that may be, we in this Legislature may well congratulate ourselves that the spirit of true and enlightened economy still survives, and bids fair long to survive, in the Province of Ontario. (Applause.)

APPENDIX.

STATEMENT showing amounts payable annually for Certificates, issued by the Treasurer of the Province of Ontario, for "Aid to Railways" and "Annuities."

Year.	Railway Aid Certificates.	Annuities.	Year.	Railway Aid Certificates.	Annuities.
	\$ c.	\$ c.		\$ c.	\$ c.
			Forward .	1,118,561 40	1,644,000 00
1896.....	159,157 52	82,200 00	1916.....	32,741 28	82,200 00
1897.....	138,605 66	82,200 00	1917.....	32,741 28	82,200 00
1898.....	110,092 66	82,200 00	1918.....	32,741 28	82,200 00
1899.....	95,660 27	82,200 00	1919.....	32,741 28	82,200 00
1900.....	89,587 26	82,200 00	1920.....	32,741 28	82,200 00
1901.....	57,781 85	82,200 00	1921.....	32,741 28	82,200 00
1902.....	41,624 25	82,200 00	1922.....	32,741 28	82,200 00
1903.....	33,156 57	82,200 00	1923.....	32,741 28	82,200 00
1904.....	32,741 28	82,200 00	1924.....	32,741 28	75,500 00
1905.....	32,741 28	82,200 00	1925.....	32,741 28	61,800 00
1906.....	32,741 28	82,200 00	1926.....	32,741 28	48,650 00
1907.....	32,741 28	82,200 00	1927.....	32,741 28	36,250 00
1908.....	32,741 28	82,200 00	1928.....	32,741 28	30,000 00
1909.....	32,741 28	82,200 00	1929.....	32,741 28	30,000 00
1910.....	32,741 28	82,200 00	1930.....	32,041 68	30,000 00
1911.....	32,741 28	82,200 00	1931.....	28,543 68	23,000 00
1912.....	32,741 28	82,200 00	1932.....	21,547 68	12,000 00
1913.....	32,741 28	82,200 00	1933.....	18,749 28	8,000 00
1914.....	32,741 28	82,200 00	1934.....	16,650 48	8,000 00
1915.....	32,741 28	82,200 00	1935.....	4,757 28	4,000 00
Forward ...	1,118,561 40	1,644,000 00	Totals....	1,699,229 40	2,668,800 00

Note.—Present value of Railway Certificates—(interest $2\frac{1}{2}$ per cent. half-yearly) \$1,298,376 89
 Present value of Annuities—(interest $2\frac{1}{2}$ per cent. half-yearly) 1,435,774 31

C. H. SPROULE,
 Provincial Auditor.

PROVINCIAL AUDITOR'S OFFICE,
 TORONTO, February 19th, 1896.